

#### MINUTES OF MEETING

February 15, 2006

The Health Benefits Committee met on Wednesday, February 15, 2006, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, CA.

The meeting was called to order at 9:40 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
James Zerio representing Philip Angelides
Robert Carlson
Rob Feckner
Michael Navarro
Charles Valdes
Nick Smith representing Steve Westly

Other Board members present:

Marjorie Berte Tony Oliveira Kurato Shimada

# AGENDA ITEM 2 – ANNOUNCEMENT OF CLOSED SESSION TO DISCUSS 2007 HEALTH PLAN CONTRACT NEGOTIATIONS AND 2006-2007 LONG-TERM CARE RATES AND COMPETITIVE STRATEGY

The Chair announced that there will be a closed session to discuss 2007 health plan contract negotiations and 2006-2007 Long-Term Care rates and competitive strategy, immediately following open session.

## AGENDA ITEM 3 – APPROVAL OF DECEMBER 13, 2005, HEALTH BENEFITS COMMITTEE MINUTES

The December 13, 2005, meeting minutes were approved as presented.

### AGENDA ITEM 4 – SENATE BILL 154 (CHESBRO) – OUT-OF-STATE HEALTH COVERAGE

Lisa Marie Hammond, Chief, Office of Governmental Affairs, presented an analysis of Senate Bill 154 (Chesbro). This bill would authorize CalPERS to contract with out-of-state public employee pension and health systems to provide health care benefits for California employees and annuitants residing out-of-state. Currently, of the 1.2 million active and retired state and local government and public employees and their families enrolled in the CalPERS Health Program, approximately 46,000 reside outside of the State of California, representing slightly under 4 percent of total covered lives.

On substitute **MOTION** by Charles Valdes, **SECONDED** and **CARRIED**, the Committee recommended a support position on Senate Bill 154 (Chesbro) – Out-of-State Health Coverage.

Michael Navarro voted NO.

The following spoke on this item:

Barbara LaPlante, California State Employees' Association, Retired Division Mike Richard, California State Employees' Association, Retired Division Ann McWherter, Retired Public Employees' Association Neal Johnson, Service Employees' International Union, Local 1000

#### AGENDA ITEM 5 – 2005 OPEN ENROLLMENT STATISTICS

Sandra Felderstein, Chief, Office of Health Program Support Services, presented information on the 2005 Open Enrollment statistics. The information item included analyses of our members' transfer choices to a new health plan during the 2005 CalPERS Open Enrollment Period.

- A very small percent of our Medicare subscribers changed plans (less than 1 percent); those that did transfer chose higher cost plans (75 percent).
- Only a small percent of our Basic subscribers changed plans (less than 3 percent). State members chose lower cost plans 69 percent of the time.
- Less than two percent of our contracting agency Basic subscribers changed plans; those transferring chose lower cost plans (59 percent).

### AGENDA ITEM 6 – LONG-TERM CARE 2005 ANNUAL VALUATION REPORT: FIRST READING – VALUATION AND PROGRAM RECOMMENDATIONS

Richard Krolak, Chief, Office of Health Plan Administration, presented an overview of the CalPERS Long-Term Care Program 2005 actuarial valuation (prepared by United Health Actuarial Services, Inc.), which includes preliminary program recommendations. Mr. Krolak stated that the Long-Term Care Advisory Committee met on February 6, 2006 and will provide staff with program recommendations. Staff will continue to work with United Health Actuarial Services, Inc. and the Long-Term Care Advisory Committee to identify and analyze a series of mitigation recommendations that will be presented to the Board at future Health Benefits Committee meetings.

#### AGENDA ITEM 7 - ASSISTANT EXECUTIVE OFFICER REPORT

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, announced a recent reorganization of the Health Benefits Branch. The Health Policy Unit has been moved under the Office of Decision and Program Support Services led by Sandra Felderstein. The Health Policy Unit previously reported to Richard Krolak, under the Office of Health Policy and Plan Administration.

- The Office of Decision and Program Support Services is now the Office of Health Policy and Program Support.
- The Office of Health Policy and Plan Administration is now the Office of Health Plan Administration.

Ms. Westbrook stated that this reorganization is intended to better align the Health Benefits Branch's organizational structure with its current business needs. The placement of the Health Policy Unit in the same division that houses analytical and research services will create more strategic synergy and will also allow the Office of Health Plan Administration to focus on contract development and the day-to-day management of the CalPERS health and Long-Term Care programs.

### AGENDA ITEM 8 – PROPOSED AGENDA FOR MARCH 14, 2006, HEALTH BENEFITS COMMITTEE MEETING

The proposed March 14, 2006, agenda was accepted by the Committee.

### **AGENDA ITEM 9 – PUBLIC COMMENT**

There was no public comment.

The meeting was adjourned at 10:30 a.m.

The next meeting of the Committee is scheduled for March 14, 2006, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO
Chief Executive Officer